



WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS

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WHITE PINE LIBRARY COOPERATIVE
SAGINAW, MICHIGAN

FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

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RSM McGladrey Network

An Independently Owned Member

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name White Pine Library Cooperative	County Saginaw
Fiscal Year End 9/30/06	Opinion Date 11/1/06	Date Audit Report Submitted to State 1/11/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

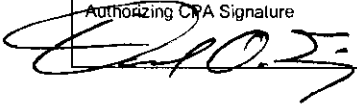
YES
NO

Check each applicable box below. (See instructions for further detail.)

- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
- ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
- ☐ ☒ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
- ☒ ☐ The local unit has adopted a budget for all required funds.
- ☒ ☐ A public hearing on the budget was held in accordance with State statute.
- ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
- ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
- ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
- ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
- ☒ ☐ The local unit is free of repeated comments from previous years.
- ☒ ☐ The audit opinion is UNQUALIFIED.
- ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
- ☐ ☒ The board or council approves all invoices prior to payment as required by charter or statute.
- ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Weinlander Fitzhugh		Telephone Number (989) 893-5577	
Street Address 1600 Center Avenue		City Bay City	State MI
		Zip 48708	
Authorizing CPA Signature 		Printed Name David D. Quinty	License Number 1101015265

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Independent Auditors' Report

November 1, 2006

Board of Directors
White Pine Library Cooperative
Saginaw, Michigan

We have audited the accompanying financial statements of the governmental activities and its major fund of White Pine Library Cooperative (Cooperative) as of and for the year ended September 30, 2006, which collectively comprise the Cooperative's basic financial statements as listed in the index. These financial statements are the responsibility of White Pine Library Cooperative's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and its major fund of White Pine Library Cooperative as of September 30, 2006 and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

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WEINLANDER FITZHUGH

Board of Directors
White Pine Library Cooperative
November 1, 2006
Page 2

Required Supplemental Information

The management's discussion and analysis and budgetary comparison information as identified in the index are not a required part of the basic financial statements but is supplemental information required by U.S. generally accepted accounting principles and the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Other Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise White Pine Library Cooperative's basic financial statements. The fund financial statements presented in the index are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Weinlander Fitzhugh

WHITE PINE LIBRARY COOPERATIVE

Management's Discussion & Analysis For the Year Ended September 30, 2006

Our discussion and analysis of the White Pine Library Cooperatives' financial performance provides an overview of the Cooperative's financial activities for the fiscal year ended September 30, 2006.

Financial Highlights

The Cooperative's net assets increased by \$19,573 or 7%. Program revenues were \$195,695 or 45% of total revenues, and general revenues were \$236,999 or 55%.

The General Fund reported a positive fund balance of \$254,077.

Using this Annual Financial Report

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand White Pine Library Cooperative financially as a whole. The *Government-wide Financial Statements* provide information about the activities of the Cooperative, presenting both an aggregate view of the Cooperative's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the Cooperative's operations in more detail than the government-wide financial statements by providing information about the Cooperative's most significant and only fund – the General Fund. The following summarizes the presentation included in this annual financial report.

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

- Government-wide Financial Statements
- Fund Financial Statements
- Notes to the Basic Financial Statements

Budgetary Information for the General Fund (Required Supplemental Information)

Other Supplemental Information

WHITE PINE LIBRARY COOPERATIVE
Management's Discussion & Analysis
For the Year Ended September 30, 2006

Reporting the Cooperative as a Whole

The Statement of Net Assets and Statement of Activities

One of the most important questions asked about the Cooperative's finances is, "Is the Cooperative better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Cooperative as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the Cooperative's net assets as a way to measure the Cooperative's financial position. The change in net assets provides the reader a tool to assist in determining whether the Cooperative's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as property tax base, and facility conditions in arriving at their conclusion regarding the overall health of the Cooperative.

Reporting the Cooperative's Most Significant Funds

Fund Financial Statements

The Cooperative's fund financial statements provide detailed information about the most significant funds. Some funds are required to be established by State law. Other funds are established to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants, and other sources of revenue. The Cooperative's one type of fund, governmental, is further described in the notes to the financial statements.

Governmental Funds

Most of the Cooperative's activities are reported in governmental funds, which focus on how money flows into and out of the fund and the balances remaining at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Cooperative's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available to spend in the near future to finance the Cooperative's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

WHITE PINE LIBRARY COOPERATIVE
Management's Discussion & Analysis
For the Year Ended September 30, 2006

Summary of Net Assets

The statement of net assets provides the perspective of the Cooperative as a whole. Exhibit A provides a summary of the Cooperative's net assets as of September 30, 2006 and 2005:

Exhibit A	Governmental Activities	
	2006	2005
Assets		
Current and other assets	\$ 266,966	\$ 236,624
Capital assets - net of accumulated depreciation	<u>22,464</u>	<u>37,558</u>
Total assets	<u>289,430</u>	<u>274,182</u>
Liabilities		
Current liabilities	12,889	14,495
Long-term liabilities	<u>10,157</u>	<u>12,876</u>
Total liabilities	<u>23,046</u>	<u>27,371</u>
Net Assets		
Invested in property and equipment - net of related debt	19,576	32,372
Unrestricted	<u>246,808</u>	<u>214,439</u>
Total net assets	<u>\$ 266,384</u>	<u>\$ 246,811</u>

The Cooperative's net assets were \$266,384 at September 30, 2006. Investment in property and equipment, net of related debt totaling \$19,576 compares the original costs less depreciation of the Cooperative's capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from local membership fees and state grants as the debt service comes due.

The \$246,808 in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

WHITE PINE LIBRARY COOPERATIVE

Management's Discussion & Analysis For the Year Ended September 30, 2006

The results of this year's operations for the Cooperative as a whole are reported in the statement of activities, as summarized in Exhibit B below, which shows the changes in net assets for the year ended September 30, 2006.

	Governmental Activities	
	2006	2005
Exhibit B		
Revenues		
Program revenue:		
Charges for services	\$ 157,519	\$ 187,995
Operating grants	38,176	74,897
General revenue:		
State aid, unrestricted	227,151	224,903
Interest and investment earnings	9,059	6,295
Other	789	3,746
Total revenues	432,694	497,836
Function/Program Expenses		
Continuing education	4,867	7,750
Delivery services	56,363	57,141
Membership support	351,891	457,587
Total expenses	413,121	522,478
Increase (Decrease) in Net Assets	\$ 19,573	\$ (24,642)

Approximately 85% of the expenses are related to supporting services to member libraries. This includes expenses such as salaries, benefits and supplies related to administration and other supporting services. This does not include any capital outlay expenses such as computers as these transactions are recorded in the Statement of Net Assets as capital assets.

Approximately 14% of the expenses are related to delivery services. This includes transportation, salaries, benefits, and other services related to the movement of books and other items to various libraries.

The remaining 1% of expense relates to continuing education expenses. These expenses relate to salaries, benefits, supplies, and other continuing education expenses related to work shops conducted by the Cooperative.

WHITE PINE LIBRARY COOPERATIVE

Management's Discussion & Analysis For the Year Ended September 30, 2006

As reported in the Statement of Activities, the cost of our governmental activities this year was \$413,121. Certain activities were partially funded from those who benefited from the programs through charges for services. This amounted to \$157,519 and consisted predominately of library membership fees. Other activities were partially funded with grant funds. This amounted to \$38,176 and consisted of other funds used for a specific function. The remaining expenses of \$217,426 were funded by unrestricted state aid, interest income, and other revenues.

The Cooperative experienced a \$19,573 increase in net assets as a whole. The increase in net assets differs from the change in fund balance. A reconciliation between the Statement of Activities and the Statement of Revenues, Expenditures and Changes in Fund Balance is included in the financial statements.

The Cooperative's Governmental Fund Statements

The Cooperative uses funds to help it control and manage money for particular purposes, using the General Fund, which is the only fund used by the Cooperative. The operations of this fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures on the modified accrual basis of accounting. Government resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent.

In the General Fund, the Cooperative experienced a \$31,948 increase in fund balance. This is due to using grant money to pay the salary of one staff member. Overall, total expenditures were within budgeted amounts. Total revenues were less than 1% lower than anticipated.

General Fund Budgetary Highlights

Over the course of the year, the Cooperative revises its budget to reflect changes in revenues and expenditures. Public Act 621 of 1978, Section 18(1) requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing that Cooperative's original and final budget amounts compared with amounts actually paid and received is provided as required supplemental information in these financial statements. Changes to the General Fund original budget were as follows:

- Budgeted revenues were increased by \$9,758. The significant change in revenues is due to grant income.
- Budgeted expenditures were increased by \$14,517. Salaries associated with the technology grant increased.

WHITE PINE LIBRARY COOPERTIVE

Management's Discussion & Analysis For the Year Ended September 30, 2006

- Actual revenues were less than 1% lower than budgeted under the final budget. This lower than the budgeted amount was a result of lower than expected other services revenue.
- Actual expenditures were 1% lower than the final budget.

Capital Assets

Asset purchases in excess of \$5,000 are recorded as capital assets and depreciated over its estimated useful life. At September 30, 2006, the Cooperative had \$22,464 invested in capital assets.

	<u>2006</u>	<u>2005</u>
Equipment	\$ 72,048	\$ 80,350
Furniture and fixtures	<u>1,535</u>	<u>1,535</u>
Total capital assets	73,583	81,885
Less accumulated depreciation	<u>51,119</u>	<u>44,327</u>
Net capital assets	<u>\$ 22,464</u>	<u>\$ 37,558</u>

The Cooperative had no capital asset additions for year ended September 30, 2006.

We present more detailed information about our capital assets in the notes to the financial statements. We anticipate no significant capital additions next year.

Debt

At the end of this year, the Cooperative had \$2,888 in capital lease obligations outstanding.

Factors Expected to have an Effect on Future Operations

Our appointed officials and administration consider many factors when determining the Cooperative's fiscal year budget. Two of the most significant factors affecting our budget are library membership fees and state revenue. State aid accounts for approximately 53% of our total general fund revenue, while membership fees account for approximately 34% of our general fund revenue. Membership fees decreased by approximately 15% from the year ended September 30, 2005 to year ended September 30, 2006. Preliminary analysis indicates

WHITE PINE LIBRARY COOPERTIVE

Management's Discussion & Analysis For the Year Ended September 30, 2006

membership levels in 2007 similar to membership levels for the year ended September 30, 2006. State Aid is calculated based on state per capita rate that is applied to the membership population in the areas served by the Cooperative. In addition, an additional portion of state aid is based on density population. A state approved amount is allocated to the Cooperative based on the square mileage of the area that the Cooperative serves. State Aid for 2007 is projected to be comparable to year ended September 30, 2006 levels. The Cooperative also considers federal and other grants to add to its budget as available.

Other factors, such as an increase in benefits are causing major constraints on our spending power. Health insurance premiums alone have increased significantly for the fiscal year ending 2007. The Cooperative will continue to determine strategies that would help minimize expenditures.

Requests For Information

This financial report is designed to provide a general overview of the Cooperative's finances for all those with an interest in the Cooperative. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Bryon Sitler, Director
White Pine Library Cooperative
3210 Davenport
Saginaw, MI 48602

WHITE PINE LIBRARY COOPERATIVE
Statement of Net Assets
September 30, 2006

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and investments	\$ 265,919
Due from other governmental units	1,047
Capital assets net of accumulated depreciation of \$51,119	<u>22,464</u>
Total assets	<u>289,430</u>
<u>Liabilities</u>	
Accounts payable	2,694
Accrued salaries and benefits	3,447
Deferred revenue	4,569
Lease payable, current portion	2,179
Long-term liabilities:	
Lease payable, non-current portion	709
Compensated absences	<u>9,448</u>
Total liabilities	<u>23,046</u>
<u>Net Assets</u>	
Investment in capital assets - net of related debt	19,576
Unrestricted	<u>246,808</u>
Total net assets	<u><u>\$ 266,384</u></u>

See accompanying notes to financial statements.

WHITE PINE LIBRARY COOPERATIVE
Statement of Activities
For the Year Ended September 30, 2006

	Program Revenues			Governmental
	Expenses	Charges for Services	Operating Grants/ Contributions	Activities Net (Expense) Revenue and Changes in Net Assets
<u>Functions/Programs</u>				
Governmental activities:				
Continuing education	\$ 4,867	\$ 4,990	\$ 0	\$ 123
Delivery services	56,363	2,250	0	(54,113)
Membership support	351,891	150,279	38,176	(163,436)
Total government activities	<u>\$ 413,121</u>	<u>\$ 157,519</u>	<u>\$ 38,176</u>	<u>(217,426)</u>
General revenues:				
State aid not restricted to specific purposes				227,151
Interest and investment earnings				9,059
Other				789
Total general revenues				<u>236,999</u>
Change in net assets				19,573
Net assets - beginning of year				<u>246,811</u>
Net assets - end of year				<u>\$ 266,384</u>

See accompanying notes to financial statements.

WHITE PINE LIBRARY COOPERATIVE
Governmental Fund
Balance Sheet
September 30, 2006

	Total Governmental Funds
<hr/>	
<u>Assets</u>	
Cash and investments	\$ 265,919
Due from other governmental units	<u>1,047</u>
Total Assets	<u><u>266,966</u></u>
 <u>Liabilities and Fund Balance</u>	
 <u>Liabilities</u>	
Accounts payable	\$ 2,694
Lease payable	2,179
Accrued payroll and benefits	3,447
Deferred revenue	<u>4,569</u>
Total liabilities	12,889
 <u>Fund Balance</u>	
Unreserved	<u>254,077</u>
Total Liabilities and Fund Balance	<u><u>\$ 266,966</u></u>

See accompanying notes to financial statements.

WHITE PINE LIBRARY COOPERATIVE
Reconciliation of Balance Sheet of Governmental Funds
to the Statement of Net Assets
September 30, 2006

Total fund balance - governmental funds		\$	254,077
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and are not reported in the funds			
Cost of the capital assets	\$	73,583	
Accumulated depreciation		<u>(51,119)</u>	
			22,464
Long-term liabilities are not due and payable in the current period and are not reported in the funds:			
Compensated absences			(9,448)
Capital lease			<u>(709)</u>
Total net assets - governmental activities		\$	<u>266,384</u>

See accompanying notes to financial statements.

WHITE PINE LIBRARY COOPERATIVE
Governmental Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended September 30, 2006

	General/ Total Governmental Fund
<u>Revenues</u>	
Charges for services	\$ 157,895
State sources	227,151
Grants	38,176
Interest and other sources	9,472
Total revenues	432,694
<u>Expenditures</u>	
Recreation and culture	400,746
Net change in fund balance	31,948
Fund balance - beginning of year	222,129
Fund balance - end of year	\$ 254,077

See accompanying notes to financial statements.

WHITE PINE LIBRARY COOPERATIVE
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2006

Net change in fund balance - total governmental funds	\$ 31,948
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	
Loss on disposal of assets	(2,448)
Depreciation expense	(12,646)
Decrease in compensated absences is reported as a reduction in expense in the statement of activities.	540
Decrease in long-term lease obligations is reported as a reduction in expense in the statement of activities	<u>2,179</u>
Change in net assets of governmental activities	<u><u>\$ 19,573</u></u>

See accompanying notes to financial statements.

WHITE PINE LIBRARY COOPERATIVE
Notes to Financial Statements
For the Year Ended September 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The White Pine Library Cooperative (Cooperative) was formed under Public Act 89 of 1977, and is considered a local governmental unit. The Cooperative provides various services to member libraries in Arenac, Bay, Clare, Gladwin, Huron, Iosco, Isabella, Midland, Ogemaw, Saginaw, Sanilac, Tuscola and contiguous counties.

The financial statements of the Cooperative have been prepared in conformity with U.S. generally accepted accounting principles, as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Cooperative's accounting policies are described below.

Reporting Entity

In evaluating how to define the Cooperative, for financial reporting purposes, management has considered all potential component units. Based upon the application of certain criteria, the financial statements of the Cooperative contain all the funds and account groups controlled by the Cooperative's Board of Directors as no other entity meets the criteria of the Cooperative nor is the Cooperative a component unit of another entity.

Basic Financial Statements – Government-Wide Statements

The Cooperative's basic financial statements include both government-wide (reporting the Cooperative as a whole) and fund financial statements (reporting the Cooperative's major fund). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. All of the Cooperative's activities are classified as governmental activities.

In the government-wide Statement of Net Assets, the governmental column is presented on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Cooperative's net assets are reported in two parts: invested in capital assets, net of related debt and unrestricted net assets. The Cooperative first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Cooperative's functions. The functions are also supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating grants and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants

WHITE PINE LIBRARY COOPERATIVE
Notes to Financial Statements
For the Year Ended September 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

This government-wide focus is more on the sustainability of the Cooperative as an entity and the change in the Cooperative's net assets resulting from the current year's activities.

Basic Financial Statements – Fund Financial Statement

The financial transactions of the Cooperative are reported in individual funds in the fund financial statements. The Cooperative only has one fund, the general fund. The fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures. It is used to account for all financial resources.

Measurement Focus and Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It related to the timing of the measurements made regardless of the measurement focus applied.

Accrual – The governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual – The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e. both measurable and available. "Available" means collectible within the current period or within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Assets, Liabilities and Equity

Deposits and Investments – The Cooperative's cash and cash equivalents are considered to be cash on hand, demand deposits, and short term investments with original maturities of three months or less from date of acquisition. Investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Cooperative intends to hold the investment until maturity. The Cooperative had no investments at September 30, 2006

WHITE PINE LIBRARY COOPERATIVE
Notes to Financial Statements
For the Year Ended September 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (continued)

State statutes authorize the Cooperative to deposit and invest in the accounts of federally insured banks, insured credit unions, and savings and loan associations; bonds and other direct obligations of the United States, or an agency or instrumentality of the United States; United States government of federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the three highest classifications by not less than two standard rating services, which mature not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Michigan law prohibits security in the form of collateral, surety bond, or other forms for the deposit of public money. An Attorney General's opinion states that public funds may not be deposited in financial institutions located in states other than Michigan. The Cooperative's deposits are in accordance with statutory authority.

Accounts Receivable – Management of the Cooperative considers all accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been provided. If amounts become uncollectible, they will be charged to operations in the period of uncollectibility. The application of this method is not deemed materially different than the allowance method which is prescribed for purposes of U.S. generally accepted accounting principles.

Capital Assets – Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Equipment	5-20 years
Furniture and fixtures	5-20 years

Compensated Absences – Accumulated vacation and sick pay amounts and associated employee-related costs are accrued when earned. The non-current portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

Deferred Revenue – Revenues for video access fees, database access fees and meeting expenses are recognized when earned.

WHITE PINE LIBRARY COOPERATIVE
Notes to Financial Statements
For the Year Ended September 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates – The process of preparing financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Budgets – Comparisons to budget are presented for the General Fund as required by U.S. generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Cooperative. Individual amendments were not material in relation to the original appropriations that were amended. Adoption and amendments of budgets used by the Cooperative are governed by Public Act 621, which was complied with during the year ended September 30, 2006. Any amendment of the original budget must meet the requirements of Public Act 621. Budgets are adopted at the detail level for the general fund.

NOTE 2 – CASH AND INVESTMENTS

The breakdown between deposits and investments for the Cooperative is as follows:

Deposits (checking and sweep)	\$ 265,798
Petty cash and cash on hand	<u>121</u>
Total	<u>\$ 265,919</u>

Custodial credit risk - deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Cooperative's deposits may not be returned to it. As of June 30, 2006, \$69,927 of the Cooperative's bank balance of \$269,927 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Cooperative's name.

Interest Rate Risk

In accordance with its investment policy, the Cooperative will minimize interest rate risk, which is the risk that the market value of securities will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations.

The Cooperative's investment policy does not address risk relating credit risk, concentration risk and foreign currency risk.

WHITE PINE LIBRARY COOPERATIVE
Notes to Financial Statements
For the Year Ended September 30, 2006

NOTE 3 – PENSION PLAN

The Cooperative provides pension benefits for all of its full-time employees through a Simplified Employee Pension Plan. The Cooperative's contributions are calculated based on the lesser of \$30,000 or 15% of compensation. Total contributions for the year ended September 30, 2006 were \$24,230, which is 15% of covered payroll for the year then ended. Employees are eligible to participate after six months of service. The Cooperative's contributions to the plan for the year were based on eligible wages of \$161,148.

NOTE 4 – RENTAL AGREEMENT

During the year ending September 30, 2006, the Cooperative leased 3,100 square feet of office space located at 3210 Davenport, Saginaw, Michigan. Monthly rental payments were \$1,400 for October 1, 2005 through September 30, 2006. The Cooperative incurred total rental expenditures of \$16,800 during the year. The future minimum lease payments are \$16,800 for 2007 and 2008.

During the year ending September 30, 2006, the Cooperative leased a 2006 Chevrolet Impala. Monthly lease payments \$341 for 36 months beginning December 21, 2005. The Cooperative incurred total lease expenditures of \$3,405 during the year. The future minimum lease payments are \$4,086 for 2007 and 2008, and \$681 for 2009.

NOTE 5 – CAPITAL ASSETS

Government capital asset activity for the year ended September 30, 2006 was as follows:

	Balance October 1, 2005	Additions	Disposals and Adjustments	Balance September 30, 2006
Capital assets being depreciated:				
Equipment	80,350	0	(8,302)	72,048
Furniture and fixtures	1,535	0	0	1,535
Subtotal	81,885	0	(8,302)	73,583
<u>Accumulated depreciation</u>				
Equipment	44,001	12,339	(5,854)	50,486
Furniture and fixtures	326	307	0	633
Subtotal	44,327	12,646	(5,854)	51,119
Net capital assets being depreciated	<u>\$ 37,558</u>	<u>\$ (12,646)</u>	<u>\$ (2,448)</u>	<u>\$ 22,464</u>

WHITE PINE LIBRARY COOPERATIVE
Notes to Financial Statements
For the Year Ended September 30, 2006

NOTE 5 – CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions as follows

Governmental activities:	
Membership support	<u>\$ 12,646</u>

NOTE 6 – LONG-TERM DEBT

The following is a summary of long-term debt transactions of the Cooperative for the year ended September 30, 2006:

	Balance October 1, 2005	Additions	Retirements and Payments	Balance September 30, 2006	Amount Due Within One Year
Capital leases (Note 7)	\$ 5,186	\$ 0	\$ (2,298)	\$ 2,888	\$ 2,179
Compensated absences	<u>9,988</u>	<u>0</u>	<u>(540)</u>	<u>9,448</u>	<u>0</u>
Total capital leases	<u>\$ 15,174</u>	<u>\$ 0</u>	<u>\$ (2,838)</u>	<u>\$ 12,336</u>	<u>\$ 2,179</u>

The annual requirements to amortize all capital leases outstanding (principal and interest) as of September 30, 2006 are:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 2,179	\$ 221	\$ 2,400
2008	<u>709</u>	<u>19</u>	<u>728</u>
	<u>\$ 2,888</u>	<u>\$ 240</u>	<u>\$ 3,128</u>

Compensated absences include unused vacation pay. At September 30, 2006, the amount of \$9,448 has been recorded in the government-wide financial statements.

WHITE PINE LIBRARY COOPERATIVE
Notes to Financial Statements
For the Year Ended September 30, 2006

NOTE 7 – OBLIGATIONS UNDER CAPITAL LEASES

The Cooperative has entered into various long-term lease arrangements for equipment, which have been classified as capital leases. Depreciation of this equipment is included in depreciation expense. The following is a schedule by years of future minimum lease payments under capital leases as of September 30, 2006:

2007	\$ 2,400
2008	<u>728</u>
Total minimum lease payments	3,128
Amount representing interest	<u>(240)</u>
	<u><u>\$ 2,888</u></u>

NOTE 8 – UNEMPLOYMENT COMPENSATION

The Cooperative is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the Cooperative must reimburse the Employment Commission for all benefits charged against the Cooperative for the year.

NOTE 9 – CONTINGENCIES

The Cooperative has received state and private grants for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditures disallowed under terms of the grants, management believes that any required reimbursement would not be material.

NOTE 10 – RISK MANAGEMENT

The Cooperative is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters.

The Cooperative carries commercial insurance for risks to cover these losses. The Cooperative also continues to carry commercial insurance for other risks of loss, including employee health, employee dental, life insurance and accident insurance.

WHITE PINE LIBRARY COOPERATIVE
Notes to Financial Statements
For the Year Ended September 30, 2006

NOTE 11 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978, Section 18(1) as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. GASB Statement No. 34 requires disclosure of any excess of expenditures over appropriations for the individual funds presented in the Budgetary Comparison Schedule.

In the following instances, the Cooperative expended funds in excess of the amounts appropriated:

<u>General Fund</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
Sponsorship	\$ 0	\$ 500	\$ (500)
Printing	300	352	(52)

Required Supplemental Information

WHITE PINE LIBRARY COOPERATIVE
 Required Supplemental Information
 Budgetary Comparison Schedule - General Fund
For the Year Ended September 30, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<u>Revenues</u>				
Intergovernmental - State	\$ 227,223	\$ 227,151	\$ 227,151	\$ 0
Grants	38,176	38,176	38,176	0
Charges for services	154,661	159,478	157,895	(1,583)
Interest and other sources	4,500	9,513	9,472	(41)
Total revenues	424,560	434,318	432,694	(1,624)
<u>Expenditures:</u>				
Recreation and culture	391,136	405,653	400,746	4,907
Net change in fund balance	33,424	28,665	31,948	3,283
Fund balance - beginning of year	222,129	222,129	222,129	0
Fund balance - end of year	<u>\$ 255,553</u>	<u>\$ 250,794</u>	<u>\$ 254,077</u>	<u>\$ 3,283</u>

Other Supplemental Information

WHITE PINE LIBRARY COOPERATIVE
Other Supplemental Information
Detail Statement of Revenue, Expenditures and
Changes in Fund Balance - Budget and Actual - General Fund
For the Year Ended September 30, 2006

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Intergovernmental:				
State aid	\$ 227,223	\$ 227,151	\$ 227,151	\$ 0
Grants	38,176	38,176	38,176	0
Bib access	350	375	376	1
Delivery	2,700	2,250	2,250	0
Membership fees	144,161	145,473	146,291	818
Materials	950	575	580	5
Continuing education	1,500	5,010	4,990	(20)
Other services	5,000	5,795	3,408	(2,387)
Interest	4,000	9,100	9,059	(41)
Miscellaneous	500	413	413	0
Total revenues	<u>424,560</u>	<u>434,318</u>	<u>432,694</u>	<u>(1,624)</u>
<u>Expenditures</u>				
Recreational and cultural:				
Salaries	144,350	161,200	161,148	52
Benefits	68,500	67,700	67,585	115
Supplies	1,200	2,000	1,849	151
Postage	1,800	700	700	0
Videocassettes	5,000	5,796	3,408	2,388
Software	1,700	4,200	4,160	40
Professional services	1,000	3,500	3,478	22
OCLC	20,000	16,900	16,701	199
VLC member fees	40,000	37,815	37,816	(1)
Continuing education	4,000	5,000	4,867	133
Original catalog	150	0	0	0
Audit	4,000	3,700	3,700	0
Telephone	1,800	2,100	2,062	38

WHITE PINE LIBRARY COOPERATIVE
Other Supplemental Information
Detail Statement of Revenue, Expenditures and
Changes in Fund Balance - Budget and Actual - General Fund
For the Year Ended September 30, 2006

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<u>Expenditures (continued)</u>				
Recreational and cultural (continued):				
Delivery	\$ 59,286	\$ 56,362	\$ 56,363	\$ (1)
Sponsorship	0	0	500	(500)
Staff travel	4,500	5,500	4,083	1,417
Unemployment	4,500	2,160	1,878	282
Insurance	7,000	3,289	3,289	0
Printing	0	300	352	(52)
Equipment lease	3,350	3,730	3,606	124
Rent	17,500	16,800	16,800	0
Miscellaneous	500	751	671	80
Transportation	0	5,300	5,016	284
Equipment	1,000	850	714	136
Total expenditures	391,136	405,653	400,746	4,907
Net change in fund balance	33,424	28,665	31,948	3,283
Fund balance - beginning of year	222,129	222,129	222,129	0
Fund balance - end of year	\$ 255,553	\$ 250,794	\$ 254,077	\$ 3,283



WEINLANDER FITZHUGH

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November 1, 2006

Board of Directors
White Pine Library Cooperative
Saginaw, Michigan

In planning and performing our audit of the financial statements of the White Pine Library Cooperative for the year ended September 30, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants.

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control elements does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we noted the following reportable condition that we believe to be a material weakness.

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GLADWIN AND WEST BRANCH

RSM McGladrey Network

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WEINLANDER FITZHUGH

Board of Directors
White Pine Library Cooperative
November 1, 2006
Page 2

Due to the limited staff size, there is a lack of separation of duties with respect to the payroll function. Since it may be impractical to increase staff size, we recommend the following compensating controls:

In regards to payroll disbursements:

1. It is recommended that the board continue to review monthly expenditure reports.
2. It is recommended that checks written to the director be signed by a board member.

This report is solely for the information and use of the White Pine Library Cooperative management, and others within the organization.

We would like to extend our appreciation to the White Pine Library Cooperative for allowing us to serve your organization. We hope we can be of further assistance and we are available to discuss these comments, and their possible implementation, with you at any time. Please do not hesitate to contact us.

Very truly yours,

A handwritten signature in cursive script that reads 'Weinlander Fitzhugh'.

WEINLANDER FITZHUGH